Chapter 16

1. Yes
2. Credit is now a way of life in American Society that everyone can use. It changed the needs and wants of the American people but also created a problem that many fell into, debt
3. Collateral is property given to assure you repay the money in order to get it back.
4. Credit allows you to purchase items you do not currently have the funds for. It can increase your standard of living and can provide you with emergency funds to use.
5. Some disadvantages are that credit purchases cost more than cash purchases. When credit is used it ties up future income. It can put a strain on your budget, and it can lead to overspending and debt.
6. The two open ended credit accounts are 30 day accounts and revolving credit accounts. 30, you have 30 days to repay the loan and revolving credit at the end of each month you can pay in full or pay as high as the minimum payment.
7. Open ended credit you have a limit that you can continually go up to, to borrow, closed end is a specific amount that must be played off in full and can be done once.
8. Debt is a common creditcard term. Debt is when you are out of money and now owe money to other people. You have out paid the money in your account.
9. So you can compare the apr of different lenders to find the best deal.
10. 7 major sources of credit are commercial banks, credit unions, finance companies, pawnshops, private lenders, and miscellaneous lenders.
11. Some examples of service credit are doctors lawyers and dry-cleaners.
12. Credit unions offer lower interest rates because they are nonprofit organization.
13. Consumer make loans to people to buying consumer durables. Whereas the other one is like a middle man and buys the items then marks them up and re sells them.
14. Finance companies have higher interest because they take high risk individuals and need to balance out the risk.
15. They take an item as collateral and give money for it, if the money is not paid back the sell the item.